LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6823
BILL NUMBER: HB 1066

NOTE PREPARED: Dec 30, 2014
BILL AMENDED:

SUBJECT: Work-Sharing Unemployment Benefits.

FIRST AUTHOR: Rep. Ober
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **X** **GENERAL**
X **DEDICATED**
X **FEDERAL**

IMPACT: State & Local

Summary of Legislation: The bill establishes a work-sharing unemployment insurance program. It requires an employer that wishes to participate in the work-sharing unemployment insurance program to submit a work-sharing plan for approval by the Commissioner of the Department of Workforce Development (DWD). The bill establishes the work-sharing benefit as equal to an affected employee's unemployment benefit reduced by a percentage that is equivalent to the number of hours by which an affected employee's normal weekly work hours are reduced divided by the employer's number of normal weekly work hours.

Effective Date: July 1, 2015.

Explanation of State Expenditures: *State Agencies:* The impact on the state would be as an employer. There would be some additional fringe benefit costs if the state decided to implement a work-sharing program, as opposed to layoffs. The impact on the state would likely be small.

Department of Workforce Development (DWD): DWD will incur some additional administrative costs associated with the approval of work-sharing programs, changes to the unemployment insurance benefit calculation program to accommodate the new program, and work-share fraud detection. Any additional costs would depend upon the number of employers that submit work-sharing plans to DWD as well as the increased number of employees who would receive unemployment benefits due to the plans.

Unemployment Insurance Trust Fund: The bill should not impact the Unemployment Insurance Trust Fund. In a work-sharing program, the number of affected workers receiving benefits may increase; however, benefits are reduced by a percentage that is equivalent to the number of hours by which the employee’s work week is reduced. A federal evaluation of these programs demonstrates only negligible impact to state trust funds as losses are typically offset by appropriately adjusted employer experience rates (which determines how much in State Unemployment Tax (SUTA) a given employer will pay). It is possible that negative impacts may be realized if employer participation in a program of this kind increases dramatically at the same time that SUTA tax increases and adjustments are constrained.

The work-sharing plan contained in the bill does not go into effect until after June 30, 2016.

Additional Information: According to the U.S. Department of Labor, work sharing is also known as short-time compensation or shared-work programs. Work-sharing programs allow eligible employers to avoid layoffs by reducing the hours of work for an entire group of affected employees. Work sharing allows the employer to maintain other employees on a full-time basis. Under work sharing, workers affected by reduced hours may have their wages compensated with a portion of their unemployment benefit. According to federal law, in order for affected workers to qualify for work-sharing programs, their work week must be reduced no less than 10% and no more than 60%.

This bill provides that work-sharing plans are voluntary on the part of employers. The bill provides that in order for affected workers to qualify for work sharing, their work week must be reduced no less than 10% and no more than 50%. For an employer's work-sharing plan to be approved, it must apply to at least 10% of workers in an affected unit or two employees of an affected unit, whichever is greater. Also, the bill specifically prohibits the reduction of fringe benefits of a worker engaged in work sharing.

The federal government provides limited funding for work-sharing programs through the Middle Class Tax Relief & Job Creation Act of 2012. State work-sharing legislation must conform to Section 3306(v), FUTA, prior to December 31, 2014, in order to qualify for funding for administration and implementation of such a program, and it must be in conformance prior to August 22, 2014, in order to receive reimbursement of state work-sharing benefit costs.

According to the U.S. Department of Labor, a work-sharing program in Indiana should not have an impact on FUTA credit reductions, as FUTA credit reductions address net increases or decreases in solvency. With respect to a work-share program, benefit payments are considered to be neutral whether the program is in place or not, therefore not having an impact on the FUTA credit. In the event that any state policy is implemented that increases UI benefit payments (thereby reducing solvency), increases in employer taxes and surcharges may offset the change in solvency, thereby not affecting the FUTA credit amount.

Explanation of State Revenues:

Explanation of Local Expenditures: The impact on local units of government would be as an employer. There will be some additional fringe benefit costs if local units decide to implement a work-sharing program. The impact on individual local units would likely be small.

Explanation of Local Revenues:

State Agencies Affected: Department of Workforce Development; All.

Local Agencies Affected: All.

Information Sources: Office of Unemployment Insurance, Employment and Training Administration, U.S. Department of Labor; Final Report of the Interim Study Committee on Employment and Labor (https://iga.in.gov/documents/ffef75d4); *Evaluation of Short-Time Compensation Programs: Final Report*, March 1997, http://wdr.doleta.gov/owsdrr/97-3/97-3.pdf (Accessed 11/11/2013); *Seeking Champions for State Short Time Compensation Programs*, U.S. Department of Labor Employment and Training Administration Webinar (Presented 12/6/13); U.S. Department of Labor Short Time Compensation Website, http://stc.workforce3one.org; http://wdr.doleta.gov/directives/attach/UIPL/UIPL_22_12_Acc.pdf.

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